

# Lifetime Mortgage Guide



**Refinancing your home can feel like a daunting prospect.** We've created this in-depth guide for lifetime mortgages to help ease any concerns you may have, helping to make the whole process as stress free as possible.

A lifetime mortgage may be the best way for you to release equity from your home. Releasing equity is something people choose to do for a wide number of reasons. It could allow you to move to a new home, help another family member onto the property ladder, clear other debts, make a key investment or satisfy a variety of needs. At Derbyshire Equity Release, our aim is to make sure that you have all of the information and guidance you need to make an informed decision on your mortgage. As we are qualified in both equity release lifetime mortgages and standard and residential mortgages, we will be able to help establish whether a lifetime mortgage is the right thing for you, or if there are any other available options. Whatever eventual decision you make, we will ensure you are fully aware of all of the short-term and long-term costs, risks and benefits that are involved in your mortgage.

## Lifetime Mortgages: the basics

### What is a lifetime mortgage?

A lifetime mortgage is finance secured against your property. By taking out a lifetime mortgage, you can release a tax-free cash lump-sum that you can then use to spend on something else needed in your life, such as another property, a divorce or separation, clearing other debt, home renovations, or many other things. A lifetime mortgage is intended as a part of later life financial planning, so is only available to those aged 55+.

### How do you refinance your property?

The first step is to assess your financial situation. Our friendly team of advisors are on hand to help you through the entire process, and will assist you in taking stock of your incoming and outgoing finances, which will help you understand if a lifetime mortgage may incur any penalties due to you paying off other commitments.

Once we have fully assessed your finances, we will then offer you our best recommendation for the most suitable lifetime mortgage product to meet your needs. If you are happy, we will then take care of the application for you and instruct solicitors to liaise with everyone required until the funds are released to you.

If you prefer to instruct your own solicitor, make sure they are registered with the equity



release lenders and understand the Equity Release Council requirements, as this can help reduce the costs and time involved for everything to complete. If you prefer, we can put you in touch with a solicitor who specialises in equity release lifetime mortgages, as the process differs to standard mortgages. Some lenders may offer cashback which can be used to offset any costs involved.

### **How much can I borrow?**

The maximum amount you can borrow is influenced by your age and health – the older you are, the more of your property value you may be able to take. However, while it is tempting to take the maximum amount, we strongly recommend that you do not borrow more than you need. Taking a higher amount can attract higher interest rates and therefore have a bigger impact on the remaining value of your estate.

Should you wish to refinance in future, there may also be penalties to change your existing plan, such as early repayment charges. It is therefore really important to consider your future needs, including any emergency funds, and our advisor will take you through this consideration when discussing your requirements.

### **When should I take my lifetime mortgage**

Not until you need it! As soon as the money is released to you, it starts to accrue interest. If you need some money now and some in the future, we can investigate plans that provide a reserve facility, where money is held back until you need it. While this money is held back, it doesn't accrue interest and therefore helps protect the remaining value of your estate.

If you are releasing equity in order to clear debts such as a mortgage, it can be more cost effective to release the money in time for existing early repayment charges to end.

### **What type of lifetime mortgage do I want?**

One mortgage does not fit all – the type of lifetime mortgage you require will depend entirely on your personal financial situation and preferences. Some people wish to clear the interest on a monthly basis and prevent the balance from increasing. Others prefer to make voluntary payments throughout the year to help protect their estate value without being committed to payments. Some prefer to make no payments at all. Lifetime mortgages are not designed to be paid off, and paying off too much can involve penalties.

Interest rates are typically fixed for the life of the plan, but some do carry variable interest rates, which mean the rate can go up or down in the future, but we will review all of your options and explain these at the time we advise on the best lifetime mortgage for you.

## Should you refinance?

### Paying off other debts

If you're looking to use a lifetime mortgage to pay off other debts, it's very important you consider all available options before you commit. Changing a lifetime mortgage can incur additional costs. Also, if your existing debts are unsecured, paying them off with a lifetime mortgage will secure them against your home instead. So, while your monthly outgoings might decrease, due to the length of time the debt will be in place, you may find that in the long run it will actually cost you more money than another option. Could you clear some debt now with another means and leave others in place?

For those with an existing mortgage that they wish to clear, a lifetime mortgage can work well, especially if the mortgage is interest only and the existing lender is requiring the balance be cleared in full. Check with your existing provider how much is owed, what rate it is on, when it needs to be cleared by and what the penalties are (if there are any) for making payment in full.

### If you're getting divorced or separating

A divorce or separation can be a very difficult time, especially when you are trying to separate finances. As your home is likely the biggest asset you have to divide between you, for most people there are three key options:

- Sell the house and divide the remaining money
- Keep the house and buy out your partner
- Allow your partner to keep the house and buy you out

Don't forget that how much money can be raised by a lifetime mortgage will be affected by your age and health. The younger you are, the less you can raise. Interest will also accrue on the remaining balance of your estate and erode its value.

## The application process

### We do it for you!

We believe that mortgages should be as stress and hassle free as possible, whether it's your first mortgage or your tenth. This is why we will always complete your mortgage application on your behalf, ensuring that the correct information and documentation is where it needs to be at the right time.

To help us find you a mortgage deal as quickly and efficiently as possible, it is always helpful to have certain details ready when you speak to us. This includes any existing credit commitments, proof of address and ID, and details of your existing mortgage. If



you're arranging home improvements, or making a purchase such as a car, organise quotes so that you have the right amount of money available from your lifetime mortgage.

### Your new mortgage offer

Your lifetime mortgage offer will be made in the same way as any other mortgage. The lender will assess your property through a valuation, and also take into account the reasons you are borrowing the money. We will liaise with them on your behalf throughout this stage of the process to make sure you experience as little stress as possible.

Once your mortgage offer has been issued, we are then happy to go through the offer with you to make sure you understand exactly what you're committing to. If you have any questions, no matter how small or silly you may feel they are, please ask us. We want to make sure that you are happy with your lifetime mortgage and that it works for you and your situation. Your solicitor will also do exactly the same.

### Your current lender

Once your new mortgage offer has been received, your solicitors will arrange for your old mortgage to be repaid by your new lifetime mortgage and for any additional funds raised to be released to you on completion.

## Insurance and protection

As with any other mortgage, buildings insurance is compulsory. We can work with you to find a suitable insurance policy for your home to help you get the best possible deal.

It's also vital that you organise your wills (to ensure the remainder of your estate will go exactly where you want in the event of your death) and Lasting Power of Attorney (to ensure someone you know and trust is able to act on your behalf should you no longer be able to, e.g. through accident or illness). We can also assist you with this too.

## What next?

We hope this guide has been useful for understanding the lifetime mortgage process. Our priority at Derbyshire Equity Release and Derbyshire Mortgage Services is always to find you the best deal on a mortgage that is entirely suited to your personal circumstances. We will be with you every step of the way throughout the entire process, from our first meeting until you receive your funds.

**If you're ready to find the best deal or have any queries, even if you're just considering this as a route for the future, why not give us a call on 01332 554098? You can also email us at [hello@derbyshireequityrelease.co.uk](mailto:hello@derbyshireequityrelease.co.uk).**